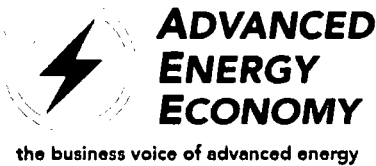


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ADVANCED ENERGY ECONOMY COMMENTS ON APPALACHIAN POWER COMPANY GREEN TARIFF PUE-2016-00051

Advanced Energy Economy (AEE) applauds the Appalachian Power Company ("APCo" or "the Company") for initiating an option allowing Virginia customers to procure renewable energy from their utility. While we are encouraged by APCo's proposal to offer customers a resource they demand, the proposed petition as currently structured will not meet customer needs.

Specifically, AEE has three major concerns with APCo's proposed tariff. First, the proposed tariff does not support the development of additional renewable energy broadly and within the Commonwealth. A stronger program would develop new in-state generation, and offer an opportunity for projects to be procured competitively. Second, the proposed program offers renewable energy at a guaranteed high premium to customers, whereas current prices in the renewable energy market can provide significant savings to customers. Third, the current proposal restricts customers' ability to retire Renewable Energy Credits (RECs). Customers, particularly some of the largest companies in the United States and Virginia, have a strong interest in owning the rights of the renewable energy, and the proposed tariff will fail to meet their needs.

If changes are made to better suit the needs of customers in Virginia, AEE would enthusiastically support the Company's proposal. However, as it stands, AEE strongly believes that the Company's proposed renewable energy program will fail to meet customer needs. We look forward to a final decision from the State Corporation Commission's (Commission or SCC) allowing Virginia customers to purchase in-state generation from their utility at a just and reasonable rate.

About AEE

Thanks to technological advances and innovation, we now have more options for meeting our energy needs than ever before in history. We call these options "advanced energy." AEE is a national association of advanced energy businesses making the energy we use secure, clean, and affordable. AEE also leads a State Coalition consisting of 16 partner organizations active in 26 states across the country and representing more than 1,000 companies and organizations. Technology areas represented include energy efficiency, demand response, natural gas, wind, solar, smart grid, nuclear power, and advanced transportation systems. Used together, these technologies and services will create and maintain a higher-performing energy system—one that is reliable and resilient, diverse, cost-effective, and clean—while also empowering customers with new and better energy products and services. Nationwide, the advanced energy industry generates \$200 billion in annual revenue, on par with the pharmaceutical industry, and employs an estimated 2.7 million workers, as many as grocery stores and supermarkets.^{1,2}

Our comments in this docket will explain the perspective of both renewable energy developers and large energy users seeking to procure renewable energy, two sub-segments of AEE's overall membership.

¹ Navigant Research for AEE, *Advanced Energy Now Market Report 2016*, available at <http://info.aee.net/aen-2016-market-report>.

² <http://blog.aee.net/at-2.7-million-jobs-nationwide-advanced-energy-is-a-major-employer-as-well-as-200-billion-market-force>.

Corporate Access to Advanced Energy Matters for Virginia

The Commission and staff understand the importance of controlling energy costs for Virginia consumers and businesses, and know that for many companies, the ability to control energy costs and sources is a key factor when deciding where to locate or expand their operations. In addition to seeking competitive prices, companies are increasingly looking for opportunities to purchase advanced energy—a choice often backed by an internal sustainability or renewable energy target. In many states, however, companies face regulatory hurdles that make fulfilling these commitments difficult or impossible. Solving this problem does not require mandates or subsidies—it is as simple as enabling access, as APCo’s tariff claims to do. Indeed, a well-designed renewable energy tariff represents an option for customers to lower their energy burden by procuring low cost, reliable energy. As proposed, however, AEE has concerns that APCo’s program will instead restrict companies from procuring renewable energy. Our comments aim to identify a few areas where the program could be improved to better deliver on its potential benefits.

Improving APCo’s proposed tariff is particularly important because enabling corporate access to advanced energy delivers benefits not only to purchasers, but also to other utility customers, and the state as a whole. By expanding opportunities for access, states can:

- Remove regulatory barriers preventing market competition;
- Meet changing customer needs to attract or retain a strong corporate presence;
- Promote economic growth through jobs and taxes, without mandates or subsidies;
- Add new clean power sources to the grid, not subject to fluctuating fuel costs; and
- Improve the resource diversity of the local grid.

Though the Company is only generally aware of customer demand for renewable energy, companies in Virginia and across the country have made clear that procuring renewable energy is a priority.³ Indeed, 18 companies submitted a letter to this docket demonstrating support for increased and diversified renewable energy supplies in Virginia (included as an appendix for reference). Recent contracts also demonstrate that corporations in Virginia want to purchase these energy resources. Over the past year, multiple large energy users signed contracts to source their energy needs from renewable energy, totaling more than 100 MW.⁴ By offering a renewable energy tariff that meets the needs of its current and potential customers, APCo has an opportunity to build upon this market activity, strengthening Virginia’s advanced energy industry while retaining and attracting top corporations to the state.

AEE has strong concerns with the proposed tariff based on the structure of the program

A renewable energy tariff will bring benefits to APCo’s customers and to the state only if the program reflects the renewable energy purchasing priorities of corporate customers and the market realities of renewable energy development. However, as currently designed, the proposed tariff will fall far short of its potential benefits. By addressing AEE’s three primary concerns, APCo can improve the chances of success under the proposed tariff.

³ PUE-2016-00051, MDV-SEIA Direct Testimony of Dana Sleeper, Exhibit 4 (APCo Response to MDV-SEIA Set 2-02).

⁴ <https://aws.amazon.com/about-aws/sustainability/>; <https://blogs.microsoft.com/firehose/2016/03/16/microsoft-joins-renewable-energy-partnership-to-bring-more-solar-energy-to-grid-in-virginia/>.



First, the program should support additional renewable energy in Virginia

The proposed tariff fails to support the development of new renewable energy. One of the key benefits of a renewable energy tariff is its ability to drive private investment, create local jobs, and improve the resource diversity of the electric grid. However, to have these effects, the tariff must rely on new in-state renewable energy facilities. As constructed, the proposed tariff only uses renewable assets from out-of-state Power Purchase Agreement (PPA) contracts, and none from Virginia. These existing PPA contracts include: the Summerville hydro plant in West Virginia, the Camp Grove Wind Farm in Illinois, the Fowler Ridge wind project in Indiana, and the Beech Ridge wind project in West Virginia.⁵

The Company also makes no commitment to add renewable assets to its generation portfolio in Virginia going forward. In response to questioning from the Maryland-DC-Virginia Solar Energy Industries Association, the Company now intends to add an existing wind project from Indiana to its generation portfolio as part of the Virginia tariff. However, while we are supportive of the Company adding renewable energy to its portfolio, the tariff should promote development of new in-state assets.

Additionally, this rider could restrict further deployment of in-state generation by not allowing third parties to offer renewable energy to customers. While AEE disagrees with this interpretation of the statute, the Company has previously argued that providing a 100% renewable energy option gives the utility exclusive right to offer renewable energy in its service territory.⁶ If the Commission approves the tariff and upholds the Company's interpretation, this would further restrict deployment of renewable assets in the Commonwealth.

The Company's proposal to source renewable energy from out-of-state assets does not further the policy objective of energy independence under the Virginia Energy Plan.⁷ As part of this plan, Virginia aims to increase energy independence for the Commonwealth. The tariff, as proposed, does not have any provision that would offer an incentive for renewable energy providers to invest in Virginia.

Second, the program should be cost-competitive

AEE is concerned that the proposed tariff offers renewable energy to the customer at a premium rather than allowing market forces to determine the price. As constructed, the proposed rider charges customers a premium of 18% based on PPA contracts that were signed years ago, which do not reflect the current market for renewable energy.^{8,9} Current market prices are well below the price of the contracts for the projects included in the proposal. A successful program should reflect that renewable energy can provide savings to consumers. To offer the most benefit to consumers, the program should support the need for development of new in-state generation. In addition to the job and investment benefits noted above, new PPA contracts would also bring significantly lower costs, benefitting participating customers.

Instead of offering this energy strictly at a premium, the program should rely on a competitive procurement process, and should charge customers according to the actual cost of the portfolio, whether that be a net premium or net savings for customers. Specifically, the proposed program should rely on a competitive procurement process for renewable energy projects, including third-party market alternatives. Ultimately, facilitating third-party participation and sourcing through a competitive process will lower costs — particularly as

⁵ Appalachian Power, 2016 Wind Energy RFP, Pages 2-3.

<https://www.appalachianpower.com/global/utilities/lib/docs/b2b/rfp/APCO/2016WindEnergy/APCo2016WindPQ-RFP010515v2.pdf>.

⁶ PUE-2015-00040 Tr. at 129: 7-9.

⁷ Title 67. Virginia Energy Plan, Chapter 1. Energy Policy of the Commonwealth, § 67-101.

⁸ MDV-SEIA Direct Testimony, Exhibit 5 (APCo Response to MDV-SEIA Set 2-10).

⁹ Id. Tr. at 7: 18-21.



compared to the current tariff structure, which is based on outdated PPA prices. Furthermore, charging customers according to the long-term power purchase prices of the renewable portfolio under the program would allow participating customers to realize savings over time. AEE encourages robust dialogue between Virginia utilities and their customers to identify innovative ways to trade value that can bring down the overall cost of the program, without impacting non-participating ratepayers.

AEE is particularly concerned that this program would grant Appalachian Power, as a subsidiary of American Electric Power, the exclusive right to offer output from uncompetitive out-of-state generation assets. If AEP's existing portfolio includes assets that are not cost-competitive, the loss should be borne by the utility. Virginia customers with renewable energy procurement commitments should not be forced to choose between failing to uphold those commitments or paying a premium to support AEP's fleet of existing renewable assets.

Third, the program should meet Customer demand for *additionality*

AEE is concerned that the proposed tariff will not meet customer needs because it will fail to deliver renewable generation that is *additional* to existing utility commitments and business-as-usual procurement. A tariff should at the very least have an optional provision that renewable energy procured be new and additional to renewable energy procured to achieve compliance with other state or federal requirements. By relying on existing assets, APCo's tariff fails to provide customers with an avenue to procure renewable energy from facilities that would not have otherwise been built. If the Company does not include this as a general requirement, it should at the very least provide customers with an option under the tariff to purchase power that is additional. Otherwise, the renewable energy tariff will fail to meet the needs of many customers with specific renewable energy or sustainability goals that require the project to be specifically enabled by their purchase, meaning that it must be new and must be "additional" to any existing compliance requirements. Additionality could be demonstrated through REC transfer, "Green-e" certification, or some other means.

Contact

AEE appreciates the opportunity to provide information and input to the SCC. We look forward to the Commission's decision to support development of renewable energy in Virginia.

If you have any questions or need additional information, please contact:

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Appendix I



To: Joel H. Peck
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Richmond, VA 23218-2118

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Case No. PUE-2016-00051

Public Comment

November 8, 2016

For more information, contact:

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Ceres
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(617) 247-0700 x105

November 8, 2016

State Corporation Commission
Tyler Building
1300 E. Main St.
Richmond, VA 23219

RE: Case No. PUE-2016-00051

Dear State Corporation Commissioners:

As major employers and large electricity consumers in Virginia, we write to support progress to date, and to express our support for increased and diversified renewable energy supplies in Virginia. We also write to ask for an explicit legal framework allowing companies choices to procure, lease, and access renewable energy resources from the state's utilities and from private third-party sellers.

As global companies providing products and services to consumers around the world from our operations in Virginia, we value not only a reliable and affordable electricity supply but also a clean one. Our companies, like many other leading U.S. businesses, have set public goals to reduce carbon emissions and operate using renewable energy. Our ability to access power from renewable resources is essential to our corporate energy strategies.

Major businesses often use multiple policy mechanisms to procure renewable energy depending on financing, suitability of a site, length of contract, and a variety of additional considerations that may be different for each company. States that have expanded and opened access to renewable energy are particularly attractive to businesses—offering up a diversified energy system, improved air quality, and greater long-term price stability.

We are encouraged to by the progress that has been made in Virginia. Renewable energy projects made possible by companies located in Virginia are already delivering numerous benefits. The deals signed to date are producing tax revenue, jobs, and other economic benefits, and send a strong signal to other companies that barriers to corporate renewable procurement in Virginia are not insurmountable. These projects also reflect constructive engagement by Virginia's utilities and other key stakeholders. We see an opportunity to build upon this hard work and momentum by further expanding options for companies to procure renewable energy in the Commonwealth.

Virginia would meet the needs of a wide range of companies by allowing choice—including options to pursue power purchase agreements (PPAs), negotiate direct arrangements, and opt-into cost-competitive renewable energy tariffs, subscribe to community solar, and pursue other policy mechanisms tailored to the needs of large buyers.

First, Virginia should provide broader freedom for companies to enter into PPAs. Virginia currently lacks the explicit legal framework to allow companies like ours to enter into renewable energy contracts with non-utility energy service providers through third-party financing or PPAs. Third-party PPAs allow companies to procure energy without making major capital expenditures up front or taking on the risk associated with operation and maintenance.

Second, Virginia utilities should also offer a cost of service based renewable energy tariff for large buyers, allowing customers to opt-in to a portfolio of renewable energy generation delivered by their regulated utility. The goal of this tariff should be to provide customers with easy access to cost-effective renewable energy with low transaction costs and a fixed energy component that provides price certainty and avoids fuel price volatility without impacting other ratepayers.

While these two changes are key to expanding our options to pursue renewable energy, it is also important that Virginia's regulated utilities and the State Corporation Commission avoid limiting companies to a fixed set of purchasing pathways. Renewable energy tariffs, third-party PPAs, and

other policy mechanisms should not preclude other competitive opportunities that can drive innovation, reduce costs, and expand new renewable energy opportunities in the state.

We encourage additional robust dialogue between Virginia utilities and their customers to identify innovative solutions for corporate renewable energy purchasing that minimize overall costs without impacting non-participating ratepayers. The Corporate Renewable Energy Buyers' Principles¹ may serve as a basis for these dialogues.

As some of the largest electricity consumers in Virginia, we support increasing the supply of renewable energy available through utilities and from third parties. We want utilities to provide their customers with affordable, reliable, and clean energy, and we believe this is possible with policies that increase Virginia's profile as a place to do business. All Virginians will benefit through new investments, tax revenue, jobs, and infrastructure upgrades that accompany the resulting advanced energy growth. This makes Virginia a more attractive place to do business for the growing list of companies that have set greenhouse gas reduction and renewable energy commitments.²

We invite the state's utilities, third party providers, and policymakers to collaborate with us on opportunities to meet our mutual objective of increasing the cost-effective supply of renewable energy in Virginia.

Sincerely,



To contact the signatories of this letter, please contact goldroberts@ceres.org.

cc:

Governor Terry McAuliffe

Members of the Virginia Senate Committee on Commerce and Labor

Members of the Virginia House Committee on Commerce and Labor

¹ www.buyersprinciples.org

² <http://www.worldwildlife.org/publications/power-forward-2-0-how-american-companies-are-setting-clean-energy-targets-and-capturing-greater-business-value>